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Farm-Mortgage Lending

Experience of 20 Life Insurance Companies,
Federal Land Banks, and
Farmers Home Administration
JANUARY THROUGH MARCH 1963

Farm Production Economics Division, Economic Research Service, USDA July 1963

Farm-mortgage lending rises further in early 1963

Institutions holding nearly half of the entire farm-mortgage debt in the Nation--20 life insurance companies, the Federal land banks, and the Farmers Home Administration--closed $451 million in new and additional loans during the first quarter of 1963. This sharp increase of 19 percent over the first quarter of 1962 was paced mainly by life insurance companies and was the ninth consecutive time that lending volume had exceeded that of the corresponding year-earlier quarter.

Outstanding loans held by these lenders rose 9 percent during the year ended March 31, 1963. Expansion occurred despite some increase during the first quarter of 1963 in payments of principal by borrowers to reduce or pay their loans in full. Loans on which payments were delinquent and those in process of foreclosure remained insignificant.

Life insurance companies

The amount of new and additional loans closed by life insurance companies in the first quarter of 1963 was 41 percent higher than in the first quarter of 1962 (table 1), and 65 percent above the first quarter of 1961. Loan commitments during the first quarter of 1963, some actually to be closed in subsequent quarters, were 32 percent larger than in the corresponding quarter of 1962.

A 21-percent rise over a year earlier in the number of loans closed accounts mainly for the recently increased volume by life insurance companies. The average size of new loans also increased by over $2,000 to $27,200. This amount is substantially larger than the average size of loans closed by the Federal land banks or Farmers Home Administration.

About half the loan funds committed in early 1963 were to refinance existing debt, and a little more than one-third were to buy farm real estate (table 2). The remaining loan funds were for repairs, improvements, and other purposes. This distribution was about the same as during the last quarter of 1962. But, in comparison with the first quarter of 1962, a slightly lower percentage of loan funds went for refinancing and slightly more went for purchases of farm real estate (table 2).

Interest rates on loan commitments during the first 3 months of 1963 averaged 5.75 percent, down slightly from 5.78 percent in the preceding quarter and 5.84 percent in the first quarter of 1962. The most common interest rate in early 1963 was 5 1/2 percent; the next most frequently reported rates were 5 3/4 percent and 6 percent (table 3).

Federal land banks

A 7-percent rise in closings by Federal land banks during the first quarter of 1963 over a year earlier resulted from a 6-percent increase in average size and less than a 1-percent increase in number of loans. The average size of loan closed during the recent quarter was $15,320 (table 4).

More land bank loans were paid in full during the first quarter of 1963 than a year earlier, but smaller average amounts were paid off, either by the borrower or by refinancing with a new FLB loan. Despite nearly 3 percent fewer loans, the volume of outstandings on March 31, 1963, reached $3.1 billion, up 7.6 percent from a year earlier.

The Federal Land Bank of Berkeley reduced its interest rate from 5.5 percent to 5.2 percent on January 1; otherwise, Federal land bank rates did not change during the first quarter of 1963 (table 5). Springfield and Baltimore banks on March 31 were charging 5.75 percent and 6.0 percent, respectively. The remaining 10 banks were charging 5.5 percent or less.

Farmers Home Administration

Mortgage loans made directly by the Farmers Home Administration (including additions to existing loans) in the first quarter of 1963 dropped to $28 million from a peak of $80 million in the previous quarter and $35 million in the first quarter of 1962 (table 6). Loans for constructing or improving homes under the rural housing program accounted for most loans made in early 1963. Housing loans were made to both farmers and nonfarmers in rural areas.

For direct farm-ownership loans, about one-third of the funds committed during the first 3 quarters of fiscal year 1963 were for repairs and improvements; only one-fifth of the funds were committed for this purpose in the same period a year earlier (table 7).

Loan commitments during the first quarter of 1963 amounted to $30 million for housing loans and $700,000 for farm-ownership loans. The maximum amount FHA may lend in any fiscal year is determined by Congress.

FHA borrowers during the first quarter of 1963 made principal repayments amounting to 2.2 percent of the debt outstanding on January 1, about the same rate of reduction as a year earlier. On March 31, 1963, FHA held about 88,000 mortgage loans totaling approximately $705 million. About 3 percent of the borrowers were behind in making amortization payments but only 0.1 percent were under foreclosure.

Farm mortgage loans insured by FHA and held by other lenders are not included in the tables of this report but are becoming increasingly important. At the end of March 1963, insured loans totaled $460 million--equal to about two-thirds of the amount of direct loans held by FHA. The increase in outstanding insured loans during the first quarter of 1963 was $47 million, about the same rise that occurred in the corresponding period of 1962.

Table 1.--Life insurance companies: Farm-mortgage loans, 20 companies, United States, selected quarters, 1962 and 1963

Item	Quarter ending--			Percentage change, quarters ending--	
	Mar. 31, 1962	Dec. 31, 1962	Mar. 31, 1963	Mar. 31, 1962, and Mar. 31, 1963	Dec. 31, 1962, and Mar. 31, 1963
Beginning of Quarter				Percent	Percent
Mortgages owned:					
Number	193,271	193,066	1/ 192,574	-0.4	-0.3
Principal indebtedness:					
Total--1,000 dollars	2,964,222	3,129,943	1/ 3,183,643	7.4	1.7
Average--dollars	15,340	16,210	16,530	7.8	2.0
During Quarter					
Mortgages acquired:					
Number	4,609	3,528	5,578	21.0	58.1
Principal indebtedness:					
Total 2/--1,000 dollars	136,842	113,143	195,190	42.6	72.5
Average 3/--dollars	25,120	26,790	27,200	8.3	1.5
Increase in principal of mortgages already owned 3/--1,000 dollars	24,007	22,465	31,507	31.2	40.2
Payments on principal of mortgages:					
Mortgages paid in full:					
Number	5,400	4,001	6,207	14.9	55.1
Amount:					
Total 4/--1,000 dollars	68,875	39,227	98,096	42.4	150.1
Average 5/--dollars	10,460	8,770	10,140	-3.1	15.6
Other 5/--1,000 dollars	60,699	42,345	68,272	12.5	61.2
Total--do	129,574	81,572	166,368	28.4	104.0
Percent of principal indebtedness, beginning of quarter	4.4	2.6	5.2	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number	3	8	1	-66.7	-87.5
Principal indebtedness:					
Total--1,000 dollars	25	220	36	44.0	-83.6
Average--dollars	8,330	27,500	36,000	332.2	30.9
End of Quarter					
Mortgages owned:					
Number 6/	192,460	192,571	191,930	-.3	-.3
Principal indebtedness:					
Total--1,000 dollars	7/ 2,995,485	3,183,759	3,243,936	8.3	1.9
Average--dollars	15,560	16,530	16,900	8.6	2.2
Mortgages in process of foreclosure:					
Number	74	59	65	-12.2	10.2
Percent of total	8/	8/	8/	---	---
Principal indebtedness--1,000 dollars	2,206	1,502	1,295	-41.3	-13.8
Percent of total	.1	8/	8/	---	---
Mortgages with interest overdue more than 3 months:					
Number	371	184	380	2.4	106.5
Percent of total	.2	.1	.2	---	---
Principal indebtedness--1,000 dollars	9,011	10,503	15,781	75.1	50.3
Percent of total	.3	.3	.5	---	---
Mortgage-loan commitments during quarter:					
Number	6,240	5,767	7,104	13.8	23.2
Amount:					
Total--1,000 dollars	188,027	191,099	248,370	32.1	30.0
Average--dollars	30,130	33,140	34,960	16.0	5.5

1/ Because of consolidation and/or splitting of loans, there was a net increase of 3 loans in number and a net decrease of $116,000 in amount from the number and amount reported at the end of the preceding quarter. 2/ Includes increase in principal indebtedness of mortgages already owned for 2 companies. 3/ 18-company data; excludes the 2 companies that did not separate principal of farm mortgages acquired and increase in principal of mortgages already owned. 4/ Includes principal payments on farm mortgages not paid in full for 2 companies. 5/ 18-company data; excludes the 2 companies that did not separate principal payments on mortgages paid in full from payments on other mortgages not paid in full. 6/ Because of consolidation and/or splitting of loans there was a net decrease of 17 loans in the 1st quarter, 14 loans in the 4th quarter of 1962, and 14 loans in the 1st quarter of 1963. 7/ Because of consolidation and/or splitting of loans there was a net increase of $13,000. 8/ Less than 0.05 percent.

Table 2.--Life insurance companies: Purposes of farm-mortgage-loan commitments, 19 companies, United States, selected quarters, 1962 and 1963

Item	Quarter ending--				
	Mar. 31, 1962	June 30, 1962	Sept. 30, 1962	Dec. 31, 1962	Mar. 31, 1963
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Amount of commitments	187,985	153,818	155,281	190,821	248,370
Percentage of total funds committed for--	Percent	Percent	Percent	Percent	Percent
Farm real estate purchases	30.0	32.5	35.2	36.7	35.7
Refinancing 1/--					
Mortgages held by--					
Own company	25.4	22.2	18.9	20.2	23.6
Others	13.2	11.9	13.8	11.9	10.2
Total	38.6	34.1	32.7	32.1	33.8
Other indebtedness	16.4	18.7	15.3	16.9	16.6
Total refinancing	55.0	52.8	48.0	49.0	50.4
Repairs and improvements to land and buildings	6.4	7.2	10.1	7.3	6.0
Other purposes:					
Known	8.6	7.5	6.7	7.0	7.8
Unknown	2/	2/	0	2/	.1
All purposes	100.0	100.0	100.0	100.0	100.0

1/ Distribution between mortgages held by own company and by others estimated for 2 companies; distribution of debt refinancing between real estate mortgages held by others and other indebtedness estimated for another. 2/ Less than 0.05 percent.

Table 3.--Life insurance companies: Interest rates on farm-mortgage-loan commitments, Jan. 1 through Mar. 31, 1963 1/

Interest rate	Loans		Amount		Average size of loan
	Number	Percentage distribution	Total	Percentage distribution	
		Percent	Dollars	Percent	Dollars
Percent:					
5 or less	22	0.7	491,623	0.4	22,350
5 1/4	35	1.1	1,092,100	.8	31,200
5 1/2	1,468	45.4	52,464,426	41.0	35,740
5 3/4	714	22.1	31,746,583	24.8	44,460
6	902	27.9	33,004,967	25.8	36,590
6 1/4	42	1.3	2,879,540	2.2	68,560
6 1/2 and over	50	1.5	6,380,133	5.0	2/ 61,980
Total or average	3,233	100.0	128,059,372	100.0	2/ 38,570

1/ The weighted average interest rate, based on 4,205 loans and a total amount committed of $149,100,673, is 5.751 percent. 2 companies did not report interest rates.
2/ Excludes 4 loans over $500,000 each.

Table 4.--Federal land banks: Farm-mortgage loans, United States, Jan. 1 through Mar. 31, 1962 and 1963 1/

Item	1962	1963	Percentage change
			Percent
Loans outstanding, Jan. 1: 2/			
Number	379,940	379,754	3/
Amount--1,000 dollars	2,827,973	3,051,973	7.9
Average--dollars	7,440	8,040	8.1
Loans closed: 4/			
Number	12,723	12,819	.8
Amount--1,000 dollars	184,059	196,400	6.7
Average--dollars	14,470	15,320	5.9
Decrease in loans (net):			
Number	12,448	22,911	84.1
Amount--1,000 dollars	113,269	130,171	14.9
Average--dollars	9,100	5,680	-37.6
Loans outstanding, Mar. 31: 2/			
Number	380,215	369,662	-2.8
Amount--1,000 dollars	2,898,763	3,118,202	7.6
Average--dollars	7,620	8,440	10.8

1/ Includes Puerto Rico.
2/ Includes purchase-money mortgages, sales contracts, etc., and excludes loans called for foreclosure.
3/ Less than 0.05 percent.
4/ Gross number and amount of all loans closed including new loans that replaced old loans, and loans canceled prior to disbursement of loan proceeds.

Farm Credit Administration, Accounting and Budget Division.

Table 5.--Federal land banks: Interest rates charged by districts, Mar. 31, 1963

District	Rate	Effective date	District	Rate	Effective date
	Percent			Percent	
Springfield	5.75	Mar. 27, 1961	St. Paul	5.50	Jan. 3, 1961
Baltimore	6.00	Sept. 1, 1959	Omaha	5.50	Mar. 24, 1961
Columbia	1/ 5.50	July 1, 1961	Wichita	5.50	Jan. 3, 1961
Louisville	5.50	Jan. 1, 1961	Houston	2/ 5.00	Dec. 1, 1962
New Orleans	5.50	Jan. 2, 1961	Berkeley	3/ 5.20	Jan. 1, 1963
St. Louis	5.50	Jan. 1, 1961	Spokane	5.50	Apr. 1, 1961

1/ New loans are written at 6 percent but borrowers are currently charged 5.50 percent.
2/ New loans are written at 5.50 percent but borrowers are currently charged 5 percent.
3/ New loans are written at 5.50 percent but borrowers are currently charged 5.20 percent.

Farm Credit Administration.

Table 6.--Farmers Home Administration: Direct farm-ownership and rural-housing loans, United States, selected quarters, 1962 and 1963 1/

Item	Quarter ending--			Percentage change, quarters ending--	
	Mar. 31, 1962	Dec. 31, 1962	Mar. 31, 1963	Mar. 31, 1962, and Mar. 31, 1963	Dec. 31, 1962, and Mar. 31, 1963
				Percent	Percent
Beginning of Quarter					
Mortgages owned:					
Number	70,041	78,564	85,718	22.4	9.1
Principal indebtedness---1,000 dollars	542,314	623,066	692,449	27.7	11.1
During Quarter					
Mortgages acquired:					
Number	3,897	8,012	2,972	-23.7	-62.9
Principal indebtedness---1,000 dollars	34,149	79,310	27,284	-20.1	-65.6
Increase in principal of mortgages already owned---1,000 dollars	1,116	967	570	-48.9	-41.1
Payments on principal of mortgages:					
Mortgages paid in full:					
Number	857	835	1,148	34.0	37.5
Amount---1,000 dollars	3,601	3,815	5,509	53.0	44.4
Other---do	8,388	6,899	9,462	12.8	37.2
Total---do	11,989	10,714	14,971	24.9	39.7
Percent of principal indebtedness, beginning of quarter	2.2	1.7	2.2	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:			8		
Number	13	23	15	15.4	-34.8
Principal indebtedness---1,000 dollars	47	180	49	4.3	-72.8
End of Quarter					
Mortgages owned:					
Number	73,068	85,718	87,527	19.8	2.1
Principal indebtedness---1,000 dollars	565,543	692,449	705,283	24.7	1.9
Mortgages behind schedule in regard to amortization payments:					
Number	2,542	2,755	2,514	-1.1	-8.7
Percent of total	3.5	3.2	2.9	---	---
Principal indebtedness---1,000 dollars	22,286	24,964	22,258	-.1	-10.8
Percent of total	3.9	3.6	3.2	---	---
Mortgages in process of foreclosure:					
Number	72	67	50	-30.6	-25.4
Percent of total	.1	.1	.1	---	---
Principal indebtedness---1,000 dollars	775	709	605	-21.9	-14.7
Percent of total	.1	.1	.1	---	---
Mortgage-loan commitments during quarter: 2/					
Farm-ownership loans: 3/					
Number	84	85	109	29.8	28.2
Amount:					
Total---1,000 dollars	665	632	707	6.3	11.9
Average---dollars	7,920	7,440	6,490	-18.1	-12.8
Rural-housing loans: 4/					
Number	2,842	2,335	3,190	12.2	36.6
Amount:					
Total---1,000 dollars	26,102	21,175	30,061	15.2	42.0
Average---dollars	9,180	9,070	9,420	2.6	3.9

1/ Data for 48 States only. Includes loans on rural nonfarm residences. Separate data for farm-ownership and rural-housing loans are available upon request.
2/ Initial loans obligated.
3/ The interest rate on these loans is 5 percent.
4/ The interest rate on these loans is 4 percent.

Farmers Home Administration.

Table 7.--Farmers Home Administration: Purposes of farm-mortgage-loan commitments, direct farm-ownership loans, United States, selected periods, 1961 through 1963 1/

Item	July 1, 1960 to Mar. 31, 1961	July 1, 1961 to Mar. 31, 1962	July 1, 1962 to Mar. 31, 1963
	Percent	Percent	Percent
Percentage of total funds committed for--			
Farm real estate purchases	45	37	39
Refinancing--			
Mortgages held by--			
Farmers Home Administration	1	0	0
Others	29	43	26
Total	30	43	26
Other indebtedness	7	0	0
Total refinancing	37	43	26
Repairs and improvements to land and buildings	17	19	34
Other purposes:			
Known	1	1	1
Unknown	0	0	0
All purposes	100	100	100

1/ Data for 48 States only.

Farmers Home Administration.

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